

EXECUTIVE SECRETARIAT
ROUTING SLIP

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI				
3	EXDIR				
4	D/ICS				
5	DDI				
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/Pers				
14	D/OLL				
15	D/PAO				
16	SA/IA				
17	AO/DCI				
18	C/IPD/OIS				
19	NIO/ECON	X			
20					
21					
22					

SUSPENSE _____
Date _____

Remarks

(DL has seen)

FOR Executive Secretary
19 Dec 84

Date

3637 (10-81)

STAT

WASHINGTON

Executive Registry

84-10345

CABINET AFFAIRS STAFFING MEMORANDUM

Date: 12/18/84 Number: 169108 Due By:

Subject: Cabinet Council on Economic Affairs Planning Meeting - December 20

8:45 A.M. - Roosevelt Room

TOPIC: Tax Simplification

ALL CABINET MEMBERS	Action	FYI		Action	FYI
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
Defense	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Baker	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Labor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Darman (For WH Staffing)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
HHS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McFarlane	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
HUD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Svahn	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Chapman	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
GSA	<input type="checkbox"/>	<input type="checkbox"/>	Executive Secretary for:		
EPA	<input type="checkbox"/>	<input type="checkbox"/>	CCCT	<input type="checkbox"/>	<input type="checkbox"/>
NASA	<input type="checkbox"/>	<input type="checkbox"/>	CCEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>
OPM	<input type="checkbox"/>	<input type="checkbox"/>	CCFA	<input type="checkbox"/>	<input type="checkbox"/>
VA	<input type="checkbox"/>	<input type="checkbox"/>	CCHR	<input type="checkbox"/>	<input type="checkbox"/>
SBA	<input type="checkbox"/>	<input type="checkbox"/>	CCLP	<input type="checkbox"/>	<input type="checkbox"/>
			CCMA	<input type="checkbox"/>	<input type="checkbox"/>
			CCNRE	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

There will be a Cabinet Council on Economic Affairs Planning Meeting on Thursday, December 20, 1984, at 8:45 A.M. in the Roosevelt Room.

The agenda is attached. No additional papers will be distributed in advance of this meeting.

RETURN TO:

☐ Craig L. Fuller
Assistant to the President
for Cabinet Affairs
456-2823 (White House)

☐ Don Clarey
☒ Tom Gibson
☐ Larry Herbolzheimer

Associate Director
Office of Cabinet Affairs

THE WHITE HOUSE

WASHINGTON

December 18, 1984

MEMORANDUM FOR THE CABINET COUNCIL ON ECONOMIC AFFAIRS

FROM: ROGER B. PORTER *RBP*
SUBJECT: Agenda for the December 20 Meeting

The Cabinet Council on Economic Affairs will meet on Thursday, December 20 at 8:45 a.m. in the Roosevelt Room.

The Council will continue its review of the Treasury Tax Simplification and Reform Proposal. No further papers will be circulated in advance of the meeting.

At the Cabinet Council meeting on December 13, the Council reviewed a recent action by the Federal Home Loan Bank Board (FHLBB) that would transfer Federal Home Loan Mortgage Corporation (FHLMC) stock to member institutions. The Council noted that the Administration has opposed expansion of FHLMC without significant reduction of its existing links with the Federal government. A letter that FHLBB Chairman Gray wrote to Senator Dole expressing his support for privatization of FHLMC is attached for your information.

Attachments

THE WHITE HOUSE
WASHINGTON

CABINET COUNCIL ON ECONOMIC AFFAIRS

December 20, 1984

8:45 a.m.

Roosevelt Room

AGENDA

1. Review of Treasury Tax Simplification and Reform Proposal
(CM # 507)

Federal Home Loan Bank Board



1700 G Street, N.W.
Washington, D.C. 20552

Federal Home Loan Bank System
Federal Home Loan Mortgage Corporation
Federal Savings and Loan Insurance Corporation

STAT

March 15, 1984

Dear Chairman Dole:

I am writing to express my strongly-held views on the Senate Finance Committee's proposal to remove the tax-exempt status of the Federal Home Loan Mortgage Corporation ("Freddie Mac").

As the Board of Directors of Freddie Mac, the Federal Home Loan Bank Board ("the Board") believes it is inappropriate to tax Freddie Mac unless the members of the Board are no longer required to serve as Directors of Freddie Mac and equitable provision is made for disposition of Freddie Mac stock presently held by the twelve regional Federal Home Loan Banks for their savings and loan industry stockholders.

Since its creation by the Congress in 1970, Freddie Mac has been recognized and accorded "federal agency" status. The Corporation has been used, particularly by the present Board, to effectuate public policy objectives. In my view, the imposition of taxation on Freddie Mac without concurrently changing its structure and addressing the nature of its ownership would do violence to the concepts of fairness and equity.

In my judgment, taxation without full privatization is inequitable. If the Committee wishes to change the way Freddie Mac does business, which is precisely what taxation would accomplish, then the entire operating structure of Freddie Mac should be altered. As employees of the Federal government, the members of the Board should not be responsible for operating what would essentially become a private company. Moreover, divestiture of Freddie Mac's stock should provide a fair market return to the savings and loan industry for their fourteen years of exclusive capital support. Without divestiture, this retained capital would be at risk without any opportunity for control by those who, for these fourteen years, made it possible; hence, the value of stock ownership by the Federal Home Loan Banks would be exposed to what would effectively amount to confiscation by taxation without effective private controls by those holding the beneficial interest. Thus, the savings and loan industry would be the ultimate -- and sole -- losers.

In effect, such a scenario would be tantamount to expropriation of the value of the stock.

In my capacity as Chairman of the Board of Freddie Mac, I have asked the management of the corporation to prepare a privatization proposal, including full taxation, of Freddie Mac. I would like to work with the Committee in an expeditious manner to move such a proposal forward in the Senate Finance and Banking Committees.

Sincerely,

STAT

Honorable Robert J. Dole
Chairman
Committee on Finance
United States Senate
Room 141, Hart Building
Washington, D.C. 20510

cc: Senator Jake Garn
Members of the Senate Majority Committee